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This Week in Canadian Agriculture, Issue 7 2004

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Report Highlights:

Avian Influenza Found On B.C. Farm * Agricore United Calls For Marketing Choice For Wheat And Barley
* CWB Examines Alternative Models For Price Pooling * Canada's Dairy Protection Could Crumble * Record
Cattle Numbers Not Unexpected * Lower Hog Numbers * Government Of Canada Funds Ethanol Expansion
* Ethanol Expansion Program Welcomed By OCPA * Canada Looks At Mandatory Organic Regulations

Includes PSD Changes: No
Includes Trade Matrix: No
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This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

Disclaimer: Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

AVIAN INFLUENZA FOUND ON B.C. FARM: The Canadian Food Inspection Agency (CFIA) confirms the presence of the H7 avian influenza virus on a farm in British Columbia. Further testing will confirm whether the virus is a low or highly pathogenic version of the virus. Initial test results from a provincial laboratory in B.C. detected the avian influenza virus and the H7 subtype was confirmed at the CFIA's National Centre for Foreign Animal Diseases in Winnipeg. The B.C. farm has been placed under quarantine to halt the spread of the disease and approximately 16,000 birds on the farm will be depopulated. The CFIA has established an active surveillance program in nearby farms and will continue to monitor all aspects of this case. Canada has had three cases of low pathogenic H5 and H7 viruses since 1975, the latest of which was reported in 2000 in Ontario. Canada placed no import restrictions on U.S. poultry following the Delaware outbreak.

AGRICORE UNITED CALLS FOR MARKETING CHOICE FOR WHEAT AND BARLEY: The February 17 edition of *Agriline* reported that farmer-delegates to last week's annual meeting of Agricore United passed resolutions calling for marketing choice for wheat and barley and a government-run plebiscite to see if farmers want the Canadian Wheat Board (CWB) made into a voluntary agency. Delegates also approved a resolution urging management to become more active on farm policy issues.

CWB EXAMINES ALTERNATIVE MODELS FOR PRICE POOLING: According to several stories from the *Western Producer*, the Board of Directors at the Canadian Wheat Board (CWB) will be examining price pooling at a series of corporate accountability meetings held for producers starting this month. Two CWB directors, Rod Flaman and Dwayne Anderson, have initiated the discussions after holding meetings with farmers in their districts. The basic idea is to give farmers the option of pricing their grain throughout the year either through the pooling system or on the cash market. However, all sales, regardless of the means used, would be made through the CWB's single desk structure. Farmers are already able to price grain outside of the pooling system used fixed price or basis contracts. But the new proposals include year-round cash pricing, shorter pooling periods, separate pools for separate contracts, and allowing farmers to price grain into specific markets. Flaman thinks that the additional options would satisfy many farmers who see a dual market as the only alternative to the current pooling and pricing systems. Flaman and Anderson hope that an operational model will be prepared by the CWB and made operational by August 1, 2004.

Comments: The CWB will never give up pooling, nor can it until it gives up its procurement monopsony. Such a move would result in the CWB becoming a voluntary (or dual) marketing agency. Even if these additional options were to be implemented, the CWB will likely maintain its selling monopoly, unlike what occurred with the Ontario Wheat Producers Marketing Board whereby producers are able to directly market their own grain.

CANADA'S DAIRY PROTECTION COULD CRUMBLE: According to the February 18 edition of *Good Morning Ontario*, the tariff walls protecting Canada's dairy producers could soon crumble, says Tom Kane of the Ontario Dairy Council (ODC) in a London Free Press story. According to the article, Kane told the annual Southwestern Ontario Dairy Symposium that

the 20% rise in value of the Canadian dollar and higher domestic prices have almost made it possible for American dairy processors to make a profit in Canada despite high tariff barriers.

RECORD CATTLE NUMBERS NOT UNEXPECTED: According to Statistics Canada, Canada's cattle herd soared to a record 14.7 million head as of January 1, 2004, in the wake of the worldwide ban on Canadian cattle because of mad cow disease. The statistical agency's release of the cattle herd numbers this week was right in line with FAS Ottawa's prediction in last month's Semi-Annual Livestock Report (CA4008) that Canadian beef producers had 1.2 million more head of cattle on their farms than they did a year ago. The large increase was not unexpected. Canada has a large inventory of cattle following the disruption to the supply chain caused by the May 2003 discovery of BSE in Alberta and the subsequent closure of the U.S. border to live cattle from Canada. While uncertainty surrounds Canadian beef production levels for 2004, beef output may show a double-digit percentage increase over the 2003 level.

LOWER HOG NUMBERS: Canada's hog numbers declined fractionally (0.4%) on January 1, 2004 from the year earlier level reflecting weaker in hog prices during the past two years, which lowered profitability. The herd decline marked the first time that Canada's hog inventory has taken a pause from the steady, annual increases recorded over the past decade. Combined with the continuation of a high level of live hog exports to the U.S., Canadian pork production may show a modest decline from the 2003 level. When final data for all of 2003 becomes available, total Canadian live hog exports will reach about 7.4 million head. At the current rate, about one hog in five born in Canada is fed, raised and slaughtered in the United States.

GOVERNMENT OF CANADA FUNDS ETHANOL EXPANSION: According to a Government of Canada (Natural Resources Canada) February 13 news release, seven projects from across Canada will receive funding to build the country's ethanol future. The Government of Canada (GOC) selected the companies' proposals for construction of new fuel ethanol facilities under the Ethanol Expansion Program: (1) Commercial Alcohols, Inc., Varennes, QC; (2) Husky Oil Marketing Company, Minnedosa, MB; (3) Husky Oil Operations Ltd., Lloydminster, SK; (4) NorAmara BioEnergy Corp., Weyburn, SK; (5) Okanagan Biofuels Inc., Kelowna, BC; (6) Seaway Grain Processors, Inc., Cornwall, ON; and (7) Suncor Energy Products Inc., Sarnia, ON. The 750 million litres of annual fuel ethanol capacity planned by these projects will more than quadruple Canadian production (currently about 200 million litres per year), increasing supply to almost 1 billion litres. There are currently more than 1,000 retail locations selling ethanol-blended gasoline in Canada. The seven projects will produce fuel ethanol from grain (corn or wheat). The GOC is also actively working with industry to research and develop new technology that would produce ethanol from agricultural residues (including straw and corn stalks) and forestry byproducts. The first round of the Ethanol Expansion Program has a total allocation of \$78 million. Funding for this program is part of the \$2-billion commitment to climate change action made in the GOC Budget 2003. The GOC has committed over \$3.7 billion to climate change programs and to technology development over the past five years.

ETHANOL EXPANSION PROGRAM WELCOMED BY OCPA: The Ontario Corn Producers Association (OCPA) welcomed the funding announcement, in a February 16 news release. "The Ethanol Expansion Program announcement today by the Ministers of Agriculture and Agri-Food and Natural Resources Canada encourages seven new ethanol facilities in Canada, two of which are in Ontario," stated OCPA President, Mat Menich. "This will help Canada reach the target of the Canadian Climate Change Plan of 10 percent ethanol blend in 35 percent of gasoline sold in Canada by the year 2010." OCPA stated that it is pleased that the Canadian Government has provided a program whereby the ethanol industry in Canada can begin to expand. The OCPA said that it looks forward to the second round of Federal Ethanol Expansion program announcements.

CANADA LOOKS AT MANDATORY ORGANIC REGULATIONS: The Canadian Organic Industry is exploring options for a mandatory organic regulation. In June 1999, the Standards Council of Canada (SCC) approved a national standard for organic agriculture, but it is voluntary. As early as 1995, the GOC drafted regulations for organic production and certification, but the organic industry did not reach a consensus, and the regulations were not implemented. Following an informal consultative process, the industry now feels it is ready to support a mandatory regulation (the province of Quebec has implemented a mandatory regulatory system which is much more rigorous than the rest of Canada). The Canadian Food Inspection Agency (CFIA) has agreed to conduct country-wide consultation sessions to gather information required to complete a Regulatory Proposal Assessment (RPA). The voluntary national standard is reportedly causing several problems, including: consumer confusion (no national regulations specific to labeling); lack of consistency and uniformity in organic products; no specific regulations on imports; and the possible loss of access to the EU and other export markets for organic food if Canada does not create a regulatory regime. In a series of public consultations this spring, the CFIA is evaluating options where it would oversee a regime which ensures a consistent compliance plan for the production, export, import, handling, and management practices for Canadian organic products. For more information go to: http://www.agr.gc.ca/publicon/e/index2_e.htm

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